

Miracle Foundation, Inc.

Consolidated Financial Statements

March 31, 2022



TABLE OF CONTENTS

	<u>Page No.</u>
Independent Auditor's Report	1 - 2
Consolidated Statement of Financial Position	3
Consolidated Statement of Activities	4
Consolidated Statement of Functional Expenses	5
Consolidated Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 13



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Miracle Foundation, Inc.
Austin, Texas

Opinion

We have audited the accompanying consolidated financial statements of Miracle Foundation, Inc. (a Texas nonprofit corporation) (the "Organization"), which comprise the consolidated statement of financial position as of March 31, 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Miracle Foundation, Inc. as of March 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis of Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Miracle Foundation, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Miracle Foundation, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Miracle Foundation, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Miracle Foundation, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.



Armanino^{LLP}
Austin, Texas

July 29, 2022

Miracle Foundation, Inc.
Consolidated Statement of Financial Position
March 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ 374,242	\$ 36,390	\$ 410,632
Prepaid expenses and other	105,291	-	105,291
Total current assets	479,533	36,390	515,923
Investments	2,916,128	-	2,916,128
Long-term deposits	782	-	782
Property and equipment, net	519,259	-	519,259
Total	3,436,169	-	3,436,169
Total assets	\$ 3,915,702	\$ 36,390	\$ 3,952,092
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 24,280	\$ -	\$ 24,280
Accrued liabilities	195,616	-	195,616
Total current liabilities	219,896	-	219,896
Net assets			
Without donor restrictions	3,695,806	-	3,695,806
With donor restrictions	-	36,390	36,390
Total net assets	3,695,806	36,390	3,732,196
Total liabilities and net assets	\$ 3,915,702	\$ 36,390	\$ 3,952,092

The accompanying notes are an integral part of these consolidated financial statements.

Miracle Foundation, Inc.
Consolidated Statement of Activities
For the Year Ended March 31, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and revenue:			
Contributions and support	\$ 3,121,322	\$ 613,893	\$ 3,735,215
Interest and other income	62,874	-	62,874
Changes in fair value of investments	<u>14,559</u>	<u>-</u>	<u>14,559</u>
Total support and revenue:	3,198,755	613,893	3,812,648
Net assets released from restriction	<u>663,913</u>	<u>(663,913)</u>	<u>-</u>
Total revenues, gains, and other support	<u>3,862,668</u>	<u>(50,020)</u>	<u>3,812,648</u>
Functional expenses			
Program services	3,349,284	-	3,349,284
Management and general	275,958	-	275,958
Fundraising	<u>287,600</u>	<u>-</u>	<u>287,600</u>
Total functional expenses	<u>3,912,842</u>	<u>-</u>	<u>3,912,842</u>
Change in net assets from operations	(50,174)	(50,020)	(100,194)
Foreign currency adjustment	<u>(5,884)</u>	<u>-</u>	<u>(5,884)</u>
Change in net assets	(56,058)	(50,020)	(106,078)
Net assets, beginning of year	<u>3,751,864</u>	<u>86,410</u>	<u>3,838,274</u>
Net assets, end of year	<u>\$ 3,695,806</u>	<u>\$ 36,390</u>	<u>\$ 3,732,196</u>

The accompanying notes are an integral part of these consolidated financial statements.

Miracle Foundation, Inc.
Consolidated Statement of Functional Expenses
For the Year Ended March 31, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Expenses				
Orphanage support	\$ 909,968	\$ -	\$ -	\$ 909,968
Salaries and benefits	1,235,251	201,432	132,282	1,568,965
Services	143,993	33,305	15,795	193,093
Advertising	-	-	87,422	87,422
Office and occupancy	144,360	33,977	19,290	197,627
Travel	28,933	-	-	28,933
Insurance	2,593	751	503	3,847
Partner program costs	640,793	-	27,820	668,613
Other	<u>243,393</u>	<u>6,493</u>	<u>4,488</u>	<u>254,374</u>
Total expenses	<u>3,349,284</u>	<u>275,958</u>	<u>287,600</u>	<u>3,912,842</u>
	<u>\$ 3,349,284</u>	<u>\$ 275,958</u>	<u>\$ 287,600</u>	<u>\$ 3,912,842</u>
Percentage of total	<u>85.6 %</u>	<u>7.1 %</u>	<u>7.3 %</u>	<u>100.0 %</u>

The accompanying notes are an integral part of these consolidated financial statements.

Miracle Foundation, Inc.
Consolidated Statement of Cash Flows
For the Year Ended March 31, 2022

Cash flows from operating activities	
Change in net assets before foreign currency adjustment	\$ (100,194)
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation expense	43,173
Net realized/unrealized gain on investments	(13,525)
Loss on impairment of property and equipment	152,899
Changes in operating assets and liabilities	
Prepaid expenses and other	(64,565)
Long-term deposits	(34)
Accounts payable	(35,254)
Accrued liabilities	<u>71,659</u>
Net cash provided by operating activities	<u>54,159</u>
Cash flows from investing activities	
Purchases of investments	(182,293)
Proceeds from sales of investments	1,990
Purchases of property and equipment	(12,314)
Redemption of term deposit	<u>75,320</u>
Net cash used in investing activities	<u>(117,297)</u>
Net decrease in cash and restricted cash	(63,138)
Effect of exchange rates on cash	(4,008)
Cash and restricted cash, beginning of year	<u>477,778</u>
Cash and restricted cash, end of year	<u>\$ 410,632</u>
 Cash and restricted cash consisted of the following:	
Cash and cash equivalents	\$ 374,242
Cash with restrictions	<u>36,390</u>
	<u>\$ 410,632</u>

The accompanying notes are an integral part of these consolidated financial statements.

Miracle Foundation, Inc.
Notes to Consolidated Financial Statements
March 31, 2022

1. NATURE OF OPERATIONS

The Miracle Foundation, Inc. (the "Organization") is a non-profit organization that brings life-changing care to orphaned and vulnerable children around the world. For the past 21 years, Miracle Foundation has improved the lives of more than 20,000 children and supported 100,000 of their family members. Today, we are an industry leader in the movement away from orphanages, uniting children in institutions with a family, and preventing new children from entering the system. In this work, we utilize the power of data to create real, sustainable change. Our proven Thrive Scale™ methodology is based on the UN Rights of the Child and allows us to systematically measure and improve all aspects of a child's well-being. In addition, our leading-edge software offers a revolutionary and welcome change to the US foster care system. This phone-based app helps streamline communications, simplifies the reporting process, and ultimately helps children avoid the painful process of being moved from home to home. In 2011, the Organization formed its wholly-owned subsidiary, Miracle Foundation India ("Miracle India"), an Indian registered non-governmental organization, located in New Delhi, India dedicated to facilitating the Organization's operations in India.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of financial presentation and consolidation

The accompanying consolidated financial statements include the accounts of The Miracle Foundation, Inc. and its wholly-owned foreign subsidiary in New Delhi, India (collectively "the Organization"). The consolidated financial statements were prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") as defined by the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements are presented in accordance with ASC Topic 958-205, *Not-for-Profit Entities Presentation of Financial Statements*, which requires the Organization to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Organization is required to present the costs of providing various programs and other activities on a functional basis in the statement of activities or in the notes to the consolidated financial statements. Costs are allocated between management and general expenses, fundraising expenses or the appropriate program based on evaluations of the related benefits. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Miracle Foundation, Inc.
Notes to Consolidated Financial Statements
March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of support and expenses during the reporting period. On an ongoing basis, the Organization evaluates its estimates, including those related to the useful lives of property and equipment, among others. The Organization bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results could differ from the estimates made by management with respect to these items and other items that require management's estimates.

Foreign currency translation

The functional currency of the Organization's foreign subsidiary was determined to be the local currency; and therefore, assets and liabilities are translated at the current exchange rate at the balance sheet date and the income statement items are translated at the average exchange rates prevailing during the reporting period. The foreign currency translation adjustment and gains and losses from non-functional currency denominated transactions are included in management and general expenses in the consolidated statements of activities. The functional currency of the Organization's Indian subsidiary is the Indian Rupee.

Cash and cash equivalents

The Organization considers all highly liquid investments acquired with an original maturity of three months or less at the date of purchase to be cash equivalents. Cash equivalents are stated at cost, which approximates market value, because of the short maturity of these instruments.

Investments

Investments consist of marketable equity and debt securities. The Organization determines the appropriate classification of its investments in debt and equity securities at the time of purchase and reevaluates such determinations at each balance sheet date. Marketable equity and marketable debt securities are carried at aggregate market value. The changes in the valuation of the marketable securities are shown on the consolidated statements of activities.

The cost of marketable equity securities sold is based on the first-in, first-out method. The cost of marketable debt securities sold is determined on the specific identification method. Realized gains and losses on security transactions are recognized on a trade-date basis and are shown on the consolidated statements of activities.

Miracle Foundation, Inc.
Notes to Consolidated Financial Statements
March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Concentration of credit risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist of cash and cash equivalents and investments. The Organization's cash and cash equivalents are placed with high-credit-quality financial institutions and issuers, and at times may exceed federally insured limits or be held in foreign jurisdictions. The Organization has not experienced any realized loss relating to cash and cash equivalents or long-term term deposits in these accounts.

The Organization places its investments in a variety of financial instruments and, by policy, limits the amount of credit exposure through diversification and by restricting its investments to highly rated securities. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in net values of investment securities will occur in the near term and that those changes could affect the amounts reported in the consolidated statements of financial position.

Investments are subject to the following concentration risks: 21% of the Organization's investments are in publicly traded mutual funds; 76% of the Organization's investments are in exchange-traded funds managed by Schwab; and 3% of the Organization's investments are in Indian fixed income certificates of deposits.

Grantors representing more than 10% of the Organization's total support for the period ended March 31, 2022 are as follows:

Grantor A (a charitable foundation)	14.00 %
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Property and equipment

Property and equipment are carried at cost or, if donated, at the estimated fair market value at the date of the donation less accumulated depreciation. Depreciation is computed utilizing the straight-line method over the estimated useful lives of the related assets, generally three to 40 years. When depreciable assets are sold, retired, or disposed of, the related cost and accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in other income (expense) in the Organization's consolidated statements of activities in the period incurred. Major additions and betterments in excess of \$2,000 and with a useful life over one year are capitalized. Maintenance and repairs which do not materially improve or extend the lives of the respective assets are charged to operations as incurred.

Miracle Foundation, Inc.
Notes to Consolidated Financial Statements
March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-lived assets

Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or circumstances indicate their carrying value may not be recoverable. When such events or circumstances arise, an estimate of future undiscounted cash flows produced by the asset, or the appropriate grouping of assets, is compared to the asset's carrying value to determine if impairment exists. If the asset is determined to be impaired, the impairment loss is measured based on the excess of its carrying value over its fair value. Assets to be disposed of are reported at the lower of carrying value or net realizable value. During the year ended March 31, 2022, the Organization recorded an impairment loss of approximately \$153,000 as management concluded that the related assets would not generate any future cash flows.

Fair value of financial instruments

The Organization's financial instruments consist principally of cash and cash equivalents, investments, accounts payable, and accrued liabilities. Excluding investments, the fair values of these financial instruments approximate their carrying amount primarily due to short maturities. Cash equivalents and investments, measured at fair value on a recurring basis, are categorized as Level 1 based on quoted prices in active markets.

Contributions

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated asset. A donor restriction expires when a stipulated time restriction ends or purpose restriction is accomplished, at which time restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor contributions with restrictions that are met in the same year are reported as unrestricted support.

Contributed services

Contributed services represent in-kind contributions and are reflected in the consolidated statement of activities as contributions at their fair value on the date of receipt. Contributed services are recognized by the Organization if the services received create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributed services relate to vendor services. Fair value of the contributed services is determined using current fair market rates for the actual vendor costs of services provided. The Organization recognized approximately \$66,000 of contributed services in the consolidated statements of activities for the period ended March 31, 2022.

Miracle Foundation, Inc.
Notes to Consolidated Financial Statements
March 31, 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Conditional promises to give

Pursuant with the Organization's policy and in conformity with ASC Topic 958, *Not-for-Profit Entities*, the Organization recognizes conditional promises as revenue when the related condition is met.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and did not conduct unrelated business activities. Miracle India was incorporated as a not for profit under Section 25 of the India Companies Act, 1956. Therefore, the Organization has made no provision for federal income taxes in the accompanying consolidated financial statements. The Organization is a public charity under the Internal Revenue Code.

The Organization evaluates uncertain tax positions, if any exist, under ASC Topic 740, *Income Taxes*. The Organization accounts for uncertainty of income taxes based on a "more-likely-than-not" threshold for the recognition and de-recognition of tax positions, which includes the accounting for interest and penalties relating to tax positions. The Organization does not have any tax positions that it would consider uncertain at March 31, 2022.

The Organization accrues interest and penalties related to unrecognized tax positions as a component of income tax expense. As of March 31, 2022, there was no accrued interest and penalties.

Subsequent events

Subsequent events have been evaluated through July 29, 2022, which represents the date the consolidated financial statements were available to be issued, and no events have occurred through that date that would impact the consolidated financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use within one year because of contractual or donor-imposed restrictions or internal designations.

Cash and cash equivalents	\$ 410,632
Investments	<u>2,916,128</u>
	3,326,760
Less resources unavailable for general operations within one year due to donor-imposed time or purpose restriction	<u>(36,390)</u>
	<u><u>\$ 3,290,370</u></u>

Miracle Foundation, Inc.
Notes to Consolidated Financial Statements
March 31, 2022

3. LIQUIDITY AND AVAILABILITY OF RESOURCES (continued)

The Organization has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 180 days of normal operating expenses, which on average, approximate \$250,000 per month. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in various short-term investments according to the Board-approved Investment Policy.

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

Building	\$ 400,926
Computers	51,357
Website and software development costs	187,980
Furniture and equipment	<u>167,568</u>
	807,831
Accumulated depreciation	<u>(288,572)</u>
	<u>\$ 519,259</u>

Depreciation relating to the Organization's property and equipment for the period ended March 31, 2022 was \$43,173.

5. INVESTMENTS

Investments consisted of the following:

Exchange-traded funds	\$ 2,202,254
Mutual funds	625,671
Fixed income	<u>88,203</u>
	<u>\$ 2,916,128</u>

Level 1 classifications consist of investments with observable market prices. Mutual funds, exchange traded funds and fixed income securities have readily determinable fair market values based on quoted prices in active markets. The Organization's policy related to fair value measurement hierarchy classification, including any level transfers, occurs at the end of the reporting period. There were no transfers between Level 1, Level 2 or Level 3 for the year ended March 31, 2022.

Miracle Foundation, Inc.
Notes to Consolidated Financial Statements
March 31, 2022

5. INVESTMENTS (continued)

The following is a summary of the inputs used as of March 31, 2022 in valuing the Organization's investments carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	<u>Fair Value</u>
Exchange-traded funds	\$ 2,202,254	\$ -	\$ -	\$ 2,202,254
Mutual funds	625,671	-	-	625,671
Fixed income	<u>88,203</u>	<u>-</u>	<u>-</u>	<u>88,203</u>
	2,916,128	-	-	2,916,128
	<u>\$ 2,916,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,916,128</u>

6. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are designated for the following purposes as of March 31, 2022 based on donor stipulations:

Higher Education	\$ 1,430
Cornerstone	3,650
Support for Orphanages	23,446
Unaccompanied Children Mapping	<u>7,864</u>
	<u>\$ 36,390</u>

7. RELATED PARTY

During the year ended March 31, 2022, board members and affiliates of board members donated approximately \$55,000 to the Organization.

8. PENSION PLAN

Effective January 1, 2008, the Organization adopted the provisions of the Miracle Foundation 401(k) plan. For the year ended March 31, 2022, the contributions from the Organization on behalf of its employees were insignificant.